

Services Division
European Satellite Committee

Meeting of 10 December 1956

25X1A9a Present: [REDACTED] S/USP; [REDACTED] S/COM; [REDACTED] 25X1A9a
25X1A9a [REDACTED] S/TF; [REDACTED] S/TR; [REDACTED] 25X1A9a
25X1A9a [REDACTED] A/E; [REDACTED] M/TM; [REDACTED] 25X1A9a
25X1A9a [REDACTED] M/TF; [REDACTED] EIC/S; [REDACTED] 25X1A9a
25X1A9a [REDACTED] 25X1X7 25X1A9a

Mr. [REDACTED] S/TF, discussed Soviet economic aid to the European Satellites. In presenting the over-all picture, Mr. [REDACTED] pointed out that by no means had this aid program been a unilateral giveaway by the Soviets. Since World War II, probably some 5 billion dollars in economic relief had been given, while the USSR took about 9 billion dollars in war reparations from East Germany, Rumania, and Hungary.

He sketched the course of Soviet aid as it reflected changing Soviet policy. First (1945 to 1949 or '50) was a period of heavy reparations and the seizing of Satellite property in place by the USSR. Only about 200 million dollars in economic aid was received for postwar recovery during this period.

The second period--from 1949-50 to 1953--was one of consolidation and rapid economic development of the Soviet Bloc as an economic unit. CECA was formed and there was rationalization of intra-Bloc trade. Soviet aid was still relatively small and concentrated, with 550 million dollars to Poland and several million to East Germany for industrial development. Toward the end of 1952, East Germany got back most Soviet-held properties on a credit of about one billion dollars.

The third period, following Stalin's death in March 1953 and the Berlin riots in June 1953 and lasting to the present, has been one of increasing economic rationalization and integration of the Bloc and extensive Soviet economic support to the European Satellites. Between 1953 and 1957, the remaining debts owed to the USSR by East Germany, Hungary, and Rumania for repurchase of Soviet holding (amounting to over one billion dollars) were written off by the USSR. In 1954 the USSR and the European Satellites began coordinating economic plans, and the Soviets began to talk up a program of intra-Bloc specialization of production. From 1953 through 1955, about 400 million dollars in economic assistance credits were extended, mainly to East Germany following the June 1953 riots. The "big push" was given the Soviet aid program by the Satellite uprisings of late 1956. Following these revolts, several important changes took place: (1) 1,350 million dollars in aid was given from 1956-58 compared with 1,300 million from 1945-55; (2) the Satellites had a greater voice in determining types and conditions of aid; and (3) the terms of aid were more favorable. Economic development credits after 1956 went mainly to the smaller

countries--Albania, Bulgaria, Rumania, and Hungary. Another innovation was the placing of supplemental orders by the Soviets to relieve unemployment in East German and Bulgarian industries. Previously one-sided agreements of various sorts were renegotiated to the advantage of the Satellites. As a result, the USSR relinquished claim to some 2 billion dollars of Satellite goods.

He emphasized that Soviet aid was not a program of selfless, disinterested, generous help. His analysis dealt only with gross aid in one direction--not net capital flows between the USSR and Eastern Europe. Moreover, Soviet aid was always in pursuit of a priority Soviet policy objective--either foreign or domestic--and sometimes these objectives coincided with the best interests of the Satellite peoples.

Probably three main purposes of Soviet economic assistance to Eastern Europe were (1) to stabilize economies in order to keep Communist regimes in power; (2) to speed European Satellite industrial development and make the Bloc a stronger, more cohesive economic unit vis-a-vis the hostile West; and (3) to tie the Satellite economies closer to the USSR.

Finally, he discussed the prospects for the future. With regard to possible Satellite need for continued Soviet aid, he said that imbalances in Satellite economies still have not been entirely overcome since Stalin's death.

With regard to Soviet ability to provide aid, the magnitudes so far are insignificant in terms of Soviet GNP and industrial production. However, "public opinion" in the USSR may be a deterrent. Aid is minimized in the Soviet press, and Soviet leaders stress the benefits received by the USSR. The current Soviet export surplus of some 600 million dollars with the Satellites should diminish, and eventually result in a Soviet import surplus, as repayments exceed new extensions; this is unlikely to occur before 1960-62.

In conclusion, he said that the USSR can easily maintain the recent level of aid to the Satellites without seriously disrupting domestic plans; moreover, now some of the advanced Satellites can help the USSR provide economic assistance to the less developed Bloc countries and to Free World underdeveloped countries. It is unlikely that the high level of aid which was generated largely by the Satellite revolts of 1956 will be needed. If it should be needed, the USSR, in order to preserve its East European empire, is probably committed to providing it.

25X1A9a

On 17 December there will be a discussion of current economic problems in the Satellites--in connection with the Eusats NIE. Mr. [REDACTED] will be moderator. The meeting will be held at 1330 hours in Room 1121 W Building.

25X1A9a

[REDACTED]
Secretary